

## Message Text

UNCLASSIFIED

PAGE 01 SINGAP 00043 040127Z

73

ACTION EB-07

INFO OCT-01 EA-10 ISO-00 FEA-01 AEC-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02

USIA-15 PRS-01 /107 W

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R 031043Z JAN 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 1773

INFO AMEMBASSY BANGKOK

AMCONSUL HONGKONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY TOKYO

UNCLAS SINGAPORE 0043

E.O. 11652: N/A

TAGS: ENRG, SN

SUBJ: SINGAPORE PETROCHEMICAL COMPLEX MOVES ALONG

DEPT PASS COMMERCE; BIC/MPD

1. A FORMAL AGREEMENT WAS SIGNED ON NEW YEAR'S DAY BY THE FINANCE MINISTER, HON SUI SEN, AND PRESIDENT OF SUMITOMO COMPANY OF JAPAN TO ESTABLISH JOINT VENTURE COMPANY TO OWN AND OPERATE A NAPHTHA/GAS OIL CRACKING COMPANY. THE COMPANY, TO BE KNOWN AS COMPLEX CENTER CO., WILL FORM NUCLEUS OF PETROCHEMICAL COMPLEX COSTING MORE THAN US\$850 MILLION WHEN COMPLETED IN 1979. THE 120 HECTARE COMPLEX, TO BE BUILT ON AYER MERBAU, AN OFFSHORE ISLAND SITUATED IN THE VICINITY OF THE OFFSHORE SITES OF THE ESSO AND SINGAPORE PETROLEUM COMPANY (SPC) REFINERIES, WILL EMPLOY ABOUT 1700.

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PAGE 02 SINGAP 00043 040127Z

2. THE COMPLEX WILL CONSIST OF THE UPSTREAM NAPHTHA CRACKING PLANT

(SUPPORTED BY FEEDSTOCK FROM SINGAPORE'S ESSO, SHELL AND SPC RE-FINERIES) WHICH WILL PRODUCE ETHYLENE AT A CAPACITY RATE OF ABOUT 300,000 TONS PER ANNUM, AND FIVE OR SIX DOWNSTREAM PLANTS, WHICH WILL PRODUCE PLASTIC RESINS, ETHYLENE GLYCOL, VINYL CHLORIDE, MONOMER, INTERMEDIATES FOR THE MANUFACTURE OF POLYESTER FIBER, PVC RESIN, HDPE, LDPE, AND PLASTICISER DOP. THE OWNERSHIP OF THE DOWNSTREAM PLANTS HAS YET TO BE FINALIZED, BUT HON SUI SEN HAS STATED THAT THE DOWNSTREAM PLANT OWNERS SHOULD BE LINED UP BY EARLY 1975. SHELL AND SUMITOMO AS WELL AS OTHER JAPANESE AND EUROPEAN FIRMS HAVE EXPRESSED INTEREST IN MANUFACTURING THE DOWNSTREAM PRODUCTS. NO AMERICAN FIRMS ARE CURRENTLY BEING CONSIDERED FOR DOWNSTREAM

MANUFACTURING. EACH OF THE DOWNSTREAM PLANTS WILL PROBABLY BE A JOINT VENTURE BETWEEN THE GOS AND ONE OR TWO PRIVATE COMPANIES, WHO WILL HOLD A MAJORITY OF THE FINANCIAL INTEREST IN EACH PLANT.

3. FINANCING FOR THE CONSTRUCTION OF THE COMPLEX HAS NOT YET BEEN ARRANGED, BUT WILL PROBABLY CONSIST OF A COMBINATION OF PUBLIC, COMMERCIAL AND INTRA-COMPANY SOURCES, AS WELL AS GOS FUNDS.

4. AFTER FINANCING IS OBTAINED, CONSTRUCTION TENDERS WILL BE OFFERED, PROBABLY IN 1976.

5. THE NEW COMPLEX HAS BEEN PLANNED FOR SINGAPORE BECAUSE OF ITS LOCATION WITH REGARD TO REGIONAL MARKET, WHERE MOST OF THE PRODUCT OF THE COMPLEX WILL BE SOLD. FREIGHT RATES AND OTHER SHIPPING FACTORS HAVE ALSO BEEN IMPORTANT FACTORS IN LOCATION DECISION. GOS ECONOMIC DEVELOPMENT BOARD ESTIMATES THAT 10-20 PCT OF THE COMPLEX'S OUTPUT WILL BE DOMESTICALLY CONSUMED, WITH THE REMAINDER AVAILABLE FOR EXPORT.

6. COMMENT: BY STAGING FORMAL SIGNING ON NEW YEAR'S DAY, GOS CAPITALIZED ON LONG-PLANNED EVENT TO DEMONSTRATE MOVEMENT ON ECONOMIC FRONT IN TIME OF ECONOMIC DOWNTURN AND LABOR RETRENCHMENT. LETTERS OF INTENT WITH SUMITOMO WERE SIGNED IN LATE 1973, BUT LITTLE WAS HEARD OF PROJECT UNTIL DECEMBER 1974, WHEN SINGAPORE PRESS REPORTED ONE-YEAR DELAY IN PROJECT. DESPITE FORMAL SIGNING, DELAY IN BEGINNING ACTUAL CONSTRUCTION UNTIL EARLY 1976 APPEARS TO STAND. GOS MAY HAVE ALSO FELT THAT FURTHER PUBLIC COMMITMENT NECESSARY FROM SUMITOMO AT THIS TIME. INDEED, FEAR OF ULTIMATE CANCELLATION OF UNCLASSIFIED

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PAGE 03 SINGAP 00043 040127Z

PROJECT WOULD NOT HAVE BEEN COMPLETELY UNWARRANTED IN VIEW OF SHELIVING

OF MANY SIMILAR PROJECTS IN REGION, AND REPORTED SLUMP IN JAPAN'S OWN PETROCHEMICAL INDUSTRY.

COST FACTORS MAY ALSO EXPLAIN DECISION TO PUSH AHEAD WITH PROJECT. SINCE ORIGINAL ANNOUNCEMENT 18 MONTHS AGO, ESTIMATED COST OF PROJECT HAS ALMOST TRIPLED. BY GOING AHEAD FORCEFULLY WITH THIS LARGE AND RISKY PROJECT, GOS HAS GIVEN TANGIBLE DEMONSTRATION OF ITS

CONFIDENCE IN ITSELF AND ITS ROLE IN THE REGION. CRONK

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## Message Attributes

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**Copy:** SINGLE  
**Draft Date:** 03 JAN 1975  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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